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AGREEMENT FOR WATER SUPPLY

AND CONSTRUCTION OF

RUSSIAN RIVER-COTATI INTERTIE PROJECT

by and between

SONOMA COUNTY WATER AGENCY

AND

water deve. Sonoma co.

CITY OF COTATI

CITY OF PETALUMA

CITY OF ROHNERT PARK

CITY OF SANTA ROSA

CITY OF SONOMA

FORESTVILLE COUNTY WATER DISTRICT

NORTH MARIN COUNTY WATER DISTRICT

VALLEY OF THE MOON COUNTY WATER DISTRICT

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AGREEMENT FOR WATER SUPPLY
AND CONSTRUCTION OF
RUSSIAN RIVER-COTATI INTERTIE PROJECT

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AGREEMENT FOR CONSTRUCTION OF
FACILITIES AND A WATER SUPPLY

THIS AGREEMENT was made on OCT 25, 1974,
by and between the following public entities:
SONOMA COUNTY WATER AGENCY, herein called "the Agency",
CITY OF COTATI, herein called "Cotati",
CITY OF PETALUMA, herein called "Petaluma",
CITY OF ROHNERT PARK, herein called "Rohnert Park",
CITY OF SANTA ROSA, herein called "Santa Rosa",
CITY OF SONOMA, herein called "Sonoma",
FORESTVILLE COUNTY WATER DISTRICT, herein called "Forestville",
NORTH MARIN COUNTY WATER DISTRICT, herein called "North Marin", and
VALLEY OF THE MOON COUNTY WATER DISTRICT, herein called "Valley of
the Moon".

The parties hereto hereby mutually covenant and agree as follows:

PART 1 - GENERAL

1.1 Definitions

When used herein, unless otherwise distinctly expressed or
manifestly incompatible with the intent hereof, the terms:

- (a) "acre feet" and "AF" mean one acre-foot or 325,850 gallons
of water.
- (b) "afa" means an acre-foot per annum.
- (c) "Agency's existing facilities" means the Santa Rosa Aqueduct,
the Petaluma Aqueduct, the Sonoma Aqueduct, and the
Forestville Aqueduct.

- (d) "capital cost" means the total funds expended for the Russian River-Cotati Intertie or portion thereof as context requires, including engineering, right of way, financial fees, interest during construction and construction costs.
- (e) "corporate territory" means the boundary from time to time existent of a city, agency, district or other governmental entity with powers to accept and distribute water.
- (f) "fiscal year" (abbreviated FY) means the period from July 1 through the following June 30.
- (g) "Forestville Aqueduct" means the pipeline from the Santa Rosa Aqueduct to Forestville, a booster pumping plant, a 300,000-gallon reservoir and all other facilities financed with the proceeds of the sale of Series E of the Agency's 1955 Bonds.
- (h) "Intertie Aqueduct" means the 48-inch inside diameter pipeline extending from new intake facilities on the Russian River to the Petaluma Aqueduct in the vicinity of Cotati with appurtenances thereto including valved nipples for turnouts to serve Forestville, Santa Rosa, Cotati and Rohnert Park. The Intertie Aqueduct shall consist of three reaches: "reach 1" from the new intake facilities to Forestville, "reach 2" from Forestville to the extension of Hall Road and "reach 3" from the extension of Hall Road to the junction with the Petaluma Aqueduct at Cotati.

- (i) "mgd" means a million gallons of water per day.
- (j) "1955 Bonds" means the Agency's 1955 Water Transmission System Bonds authorized by the voters of the Agency (then named Sonoma County Flood Control and Water Conservation District) at a special election held May 10, 1955, in the amount of \$8,500,000.
- (k) "operation and maintenance costs" means the Agency's costs of operating the Transmission System including its power costs, costs of maintaining the System in a good state of repair, and costs of administering the System and furnishing the water supplies pursuant to this agreement.
- (l) "Ordinance No. 1" means Ordinance No. 1 of the Agency adopted on December 28, 1970, providing for the issuance of the Revenue Bonds, together with any other ordinances of the Agency supplemental thereto or amendatory thereof.
- (m) "other Agency customers" means those customers listed on Exhibit A, attached hereto and incorporated herein, all future retail customers of the Agency who do not resell water received hereunder, the City of Sebastopol, Windsor County Water District, Occidental Community Services District, and Graton County Service District.
- (n) "Petaluma Aqueduct" means the pipeline from the Santa Rosa Aqueduct to Petaluma, the second six-million gallon reservoir at the Ralphine Tank farm and all other facilities financed with the proceeds of the sale of Series D and G of the Agency's 1955 Bonds. The "south part" of the Petaluma Aqueduct means the portion thereof south of the junction thereof with the Intertie Aqueduct and the "north part" means the portion north of said junction.

- (o) "regular customers" of the Agency means the entities to whom the Agency furnishes a firm water supply from the Transmission System, consisting of the water contractors and the other Agency customers.
- (p) "Revenue Bonds" means all series of the Agency's 1971 Water Revenue Bonds issued pursuant to Ordinance No. 1 to finance the Russian River-Cotati Intertie.
- (q) "Revenue Bond obligations" means the payment of principal of and interest on the Revenue Bonds and all other obligations and covenants of the Agency with respect to the Revenue Bonds contained in Ordinance No. 1, including specifically any covenant to establish and maintain rates and charges to provide revenue coverage in excess of a specified amount as established by an ordinance of the Agency supplemental to or amendatory of Ordinance No. 1.
- (r) "Russian River-Cotati Intertie" means the facilities to be constructed pursuant to Sections 2.2 and 2.3, consisting of new intake facilities on the Russian River, including the diversion dam, intake works, infiltration ponds, collectors, chlorinators, pumps, telemetry equipment and appurtenances, the Intertie Aqueduct and new storage facilities.
- (s) "Santa Rosa Aqueduct" means the two collectors, intake works, pumping plant and appurtenances at Wohler on the Russian River, the pipeline therefrom to the Ralphine Tank farm, the first six-million gallon reservoir at the Ralphine Tank farm and all other facilities financed with the proceeds of the sale of Series A, B and C of the Agency's 1955 Bonds.

(t) "Sonoma Aqueduct" means the pipeline from the Santa Rosa Aqueduct to Sonoma, a pumping plant, three reservoirs totaling six and one-half million gallons, and all other facilities financed with the proceeds of the sale of Series F of the Agency's 1955 Bonds.

(u) "Transmission System" means the Agency's existing facilities, consisting of the Santa Rosa, Petaluma, Sonoma and Forestville Aqueducts, and the Russian River-Cotati Intertie.

(v) "Trustee" means the Trustee for the Agency and the holders of the Revenue Bonds appointed pursuant to Ordinance No. 1 and any successor Trustee.

(w) "water contractors" means all the parties hereto except the Agency.

1.2 Recital of Purposes

Among the purposes of this agreement are to provide a water supply or a supplemental water supply for each of the water contractors and to provide for payment to the Agency for water delivered hereunder sufficient to enable it to meet its obligations on its Revenue Bonds and its 1955 Bonds and its expense of operating and maintaining the Transmission System.

1.3 Term of Agreement

This agreement shall become effective upon its execution by all the parties hereto and shall remain in effect until June 30, 2014. The Agency shall enter into renewal agreements for periods not to exceed forty years each with any or all of the water contractors requesting the same for water supplies within the delivery capability of the Agency's

Transmission System, at a cost no greater than the Agency's operation and maintenance costs and unreimbursed capital costs allocated on a proportionate use basis, it being understood that such renewal agreements shall provide for entitlements to the quantities of delivery to each customer as set forth in Sections 3.1 and 3.2 unless system obsolescence or other cause beyond the control of the parties reduces the delivery capability of the Transmission System in whole or part, in which case said entitlements shall be proportionately reduced.

1.4 Previous Agreements Superseded

All agreements and the amendments and addenda thereto between the Agency on the one hand and any one or more of the water contractors on the other hand relating to water supply from the Transmission System are terminated as of the effective date of this agreement and superseded by this agreement.

1.5 Enforcement

The failure of any water contractor to perform its obligations hereunder shall not excuse the remaining contractors from performing their obligations hereunder nor excuse the Agency from performing its obligations hereunder to said remaining contractors. Each and all of the provisions of this agreement shall be enforceable by action brought by any party hereto for specific performance or any other appropriate action at law for damage or in equity for other appropriate relief to the end that no party hereto shall suffer from the default of any other party. Nothing in this agreement shall preclude any water contractor from seeking unilateral redress under the law from the Agency, or any other party, agency customer or entity. Any owner or holder of Revenue Bonds may also enforce any provision of this agreement inuring to the benefit of the holders of the Revenue Bonds.

1.6 Amendments

This agreement may be amended only with the consent of all the parties hereto, and, if such amendment reduces the revenues to be received by the Agency or otherwise impairs the ability of the Agency to meet its Revenue Bond obligations, shall be amended only with the consent of the Trustee. The Trustee shall give such consent if the Trustee determines that, following such amendment, the water contractors will be obligated under this agreement to make payments to the Agency sufficient to enable the Agency to pay principal of and interest on the Revenue Bonds and to meet all its other Revenue Bond obligations. In making such determination, the Trustee may rely upon such certificates or opinions from qualified attorneys, engineers or accountants as the Trustee may deem necessary and obtain from the Agency.

1.7 Pledge of Revenues

Each party hereto acknowledges that anything herein to the contrary notwithstanding, all sums paid to the Agency pursuant to this agreement except the payments and credits set forth in Sections 4.8 and 4.15 are "Revenues of the Water System" of the Agency as defined in Ordinance No. 1 and are pledged to the payment of the Agency's Revenue Bond obligations. All said sums shall be received, allocated and paid out pursuant to Ordinance No. 1. The Agency will, at least annually, request the Trustee under Ordinance No. 1 to withdraw from the Agency Fund established pursuant to Section 5.02 of Ordinance No. 1 all monies in said Agency fund and the Agency shall cause said monies to be held in a special account by the County Treasurer of Sonoma County to be accounted for, allocated and paid out as set forth in this agreement.

Included in revenues subject to Ordinance No. 1 are or may be funds for the payment of general obligation bonds of the Agency or for the payment of any other obligations of the Agency for which the Agency is authorized to levy a tax. The water contractors understand that the failure of sufficient monies to be deposited in said special account may require the Agency to levy taxes to pay such general obligation bond costs and other such obligations. All references in this agreement to the accounting for, allocating, paying, and crediting of monies are subject to the priority imposed by Ordinance No. 1 on all of said revenues.

The parties hereto recognize that the Revenue Bonds are to be paid from revenues, as provided herein, and that it is the intention of the parties that the charges set forth in Sections 4.10, 4.11 and 4.12 will be sufficient to pay the Revenue Bonds and to meet the Revenue Bond obligations not met from other sources of funds so as to allow the transfer from the Agency Fund (created pursuant to Section 5.02 of Ordinance No. 1 of Agency) to the Agency of monies at least equal to the other payments to be made pursuant to this agreement. The water contractors, therefore, agree to pay promptly all charges established pursuant to this agreement. In the event of the failure or inability of the Agency to construct or to complete the construction of the Russian River-Cotati Intertie, or to maintain the Russian River-Cotati Intertie, the water contractors (excluding North Marin) will pay to the Agency such water charges fixed pursuant to Sections 4.10, 4.11 and 4.12 as are necessary for the Agency to meet its Revenue Bond obligations notwithstanding any deficiency in the quantity or quality of water to which they or any of them would be

entitled pursuant to this agreement. The provisions of this agreement are made for the benefit of the owners and holders from time to time of the Revenue Bonds and may be enforced by or on behalf of any such owner or holder.

1.8 Books, Records and Accounts

The Agency shall keep or cause to be kept, proper books, records and accounts in which complete and accurate entries shall be made of all monies received from all entities, including the Agency's regular customers to whom the Agency shall sell water from the Transmission System, and of the money in the special account held by the County Treasurer of Sonoma County referred to in Section 1.7 and of the basis for and application of said money. Said books, records and accounts will be available during normal business hours for inspection by the water contractors or their authorized representatives. The Agency will transmit to the water contractors two reports each year of the receipts and expenditures of the Transmission System. The first report will be issued on or about April 1, in conjunction with the preliminary budget for the following fiscal year, and will show expenditures for the first half of the fiscal year together with estimated year-end expenditures. The second report will be issued after the end of each fiscal year and will contain a budgetary accounting of Transmission System expenditures, revenues and balances for the fiscal year. Each month the Agency shall supply each water contractor with a summary showing the amount of water delivered during the preceding month to each regular customer and each customer receiving surplus water.

1.9 Water Contractor's Duty to Provide Funds

Each water contractor shall use any and all means legally available to it (including, without limitation, the enactment and maintenance in effect of legislation establishing fees, tolls, rates and charges pertaining to the operation of its water distribution system) so as to produce monies sufficient in amount to meet the monetary obligations incurred by it pursuant to this agreement and to enable it to maintain its water distribution system in good working order.

1.10 Severability

If any one or more sections, provisions, promises or conditions of this agreement is declared void or voidable for any reason by a final judgement or order of a court of competent jurisdiction, it is hereby declared to be the intention of each party and agreed that each and all of the other sections, provisions, promises and conditions of this agreement shall be and remain in full force and effect.

PART 2 - CONSTRUCTION, OPERATION AND MAINTENANCE

2.1 Agency to Construct Russian River-Cotati Intertie

Section 30.17 of the Sonoma County Flood Control and Water Conservation District Act (Stats. 1949, Chap. 994, p. 1810), as amended, and Resolution DR 35592 adopted by the Board of Directors of the Agency provide that the issuance of Revenue Bonds shall be authorized by ordinance enacted following a public hearing. Should the Board of Directors of the Agency determine to issue Revenue Bonds by an ordinance or ordinances adopted following such a public hearing or hearings, it is contemplated that the Agency will construct the Russian River-Cotati Intertie with funds provided by the sale of such Revenue Bonds, available cash reserves, payment to be made by North Marin pursuant to Section 4.8 hereof, and other payments made for expansion of the Transmission System as described in Section 4.14.

2.2 Initial Construction

The Agency will promptly call, notice and hold such public hearing or hearings as are required by said Section 30.17 and by said Resolution DR 35592 prior to authorization of the issuance of Revenue Bonds. If thereafter the Board of Directors of the Agency shall authorize the issuance of Revenue Bonds, the Agency will promptly issue and sell Revenue Bonds specified in the authorizing ordinance or ordinances which shall be sufficient, together with available cash reserves and the funds received by it pursuant to Sections 4.8 and 4.14, to enable it to construct the following initial features of the Russian River-Cotati Intertie:

- (a) Intake facilities on the Russian River between Wohler Bridge and Mirabel Park consisting of two collectors and

pumps with a design capacity of 40 mgd including chlorinators, telemetry equipment, diversion dam, intake works, infiltration ponds and appurtenances;

(b) the Intertie Aqueduct, and

(c) storage facilities at the Ralphine Tank farm with a capacity of 18 million gallons and at a site approximately two miles west of Cotati with a capacity of 6 million gallons.

Subject to the foregoing, the Agency will cause said initial features to be constructed at the earliest date practical and will make every reasonable effort to have the same operating prior to June 1, 1977. The time within which the Agency shall be obligated to construct the initial features shall be extended, however, as a result of any delays caused by fire, earthquake, other acts of God, acts of the public enemy, riots, insurrections, governmental regulations on the sale or transportation of materials or supplies, strikes affecting construction of the Russian River-Cotati Intertie or transportation of materials or supplies in connection therewith, any State or Federal environmental quality regulations and restrictions, shortages and/or delay in the obtaining of materials, shortages of or allocations of fuel and other sources of energy, litigation resulting in court orders restraining the construction of the Russian River-Cotati Intertie or any part thereof, inability of Agency for any reason to deliver the Revenue Bonds or any series thereof, failure to receive payment from North Marin pursuant to Section 4.8, or any other causes beyond the control of Agency or any contractor constructing any part of the Russian River-Cotati Intertie.

2.3 Later Construction

Should the Board of Directors of the Agency determine by ordinance adopted following public hearing to issue further series of Revenue Bonds in addition to the Revenue Bonds referred to in Section 2.2, in accordance with said Section 30.17 and said Resolution DR 35592, it is contemplated that the Agency will construct the remaining features of the Russian River-Cotati Intertie with funds provided by sale of such Revenue Bonds, available cash reserves and payments to be made by North Marin as provided in Section 4.8 hereof and the Agency will construct the remaining features of the Russian River-Cotati Intertie as set forth below at such times as may be necessary to enable it to furnish to each of the water contractors said contractor's delivery entitlement set forth in Section 3.1 at the time said contractor shall require the same. Additional intake facilities shall be constructed to increase the designed capacity thereof to 60 mgd plus 20 mgd standby pump and collector capacity which construction (which may be in phases) shall be commenced not later than twelve months after any month in which the standby pump and collector capacity is less than 20 mgd. Additional storage facilities shall be constructed to the extent necessary to maintain a quantity of water in storage deliverable to each water contractor except North Marin equal to 1.5 times the average daily use of said contractor during the month of maximum use, which construction shall be commenced not later than twelve months after any month that said storage capacity is less than 1.7 times the average daily use for said month. The time within which the Agency shall be obligated to construct the remaining features of the Russian River-Cotati Intertie shall be subject to the excuses for nonperformance set forth in the last sentence of Section 2.2 hereof.

2.4 Booster Pump on Petaluma Aqueduct

When the combined water requirements of Petaluma and North Marin reach a peak rate of 20 mgd (or earlier upon request by Petaluma), the Agency will install a booster pump on the south part of the Petaluma Aqueduct sufficient to increase the capacity of the south part of the Petaluma Aqueduct from 27 mgd to 40.3 mgd, except that said capacity may be reduced to 31.8 mgd if the Agency, Petaluma and North Marin agree that sufficient storage, constructed pursuant to Section 2.3, has been installed on the south part of the Petaluma Aqueduct.

2.5 Further Additions to Transmission System

Except as set forth in Sections 2.2, 2.3, and 2.4, the Agency will not construct any additions to the Transmission System which will increase the charges payable by, or diminish or impair the water available to, any of the water contractors except on such terms and conditions as may be agreed upon in writing by the Agency and each water contractor who would be required to make any additional payment by reason of such construction or whose water supply might be diminished or impaired by such construction. If such addition is a booster pump or any other device, method, or system that will enlarge or increase the capacity of any one customer to the detriment of other users or will enlarge or increase the ratio of water taken from the Transmission System by one user in relation to the other users, then such addition or alteration shall not be made by Agency except by amendment to this agreement. In the event a question arises as to whether addition or alteration requires an amendment to this agreement pursuant to this Section, such question shall be submitted to the Water Advisory Committee and its decision shall be conclusive.

2.6 Operation and Maintenance

The Agency shall operate and maintain the Transmission System in a good state of repair.

PART 3 - WATER SUPPLY

3.1 Delivery Entitlements of Water Contractors

The Agency shall deliver to each water contractor at the points of delivery hereinafter set forth such quantities of water as the water contractor shall from time to time require at such rates of flow as are necessary to meet its peak day's demand, subject to the following:

(a) From the effective date of this agreement and until the initial features of the Russian River-Cotati Intertie described in Section 2.2 are operational, the Agency shall not be obligated to deliver water in excess of the following:

To Santa Rosa: 14,000 afa at a rate not to exceed 20 mgd.

To North Marin: 10,000 afa at a rate not to exceed 6.5 mgd.

To Petaluma: 4,500 afa at a rate not to exceed 4.0 mgd.

To Valley of the Moon: 1,800 afa at a rate not to exceed 2.4 mgd.

To Sonoma: 1,700 afa at a rate not to exceed 2.3 mgd.

To Forestville: 250 afa at a rate not to exceed 0.4 mgd.

To Cotati and Rohnert Park: the quantities that the Agency is capable of delivering after meeting its aforesaid delivery obligations to the other water contractors and its delivery obligations to other Agency customers provided, however, that during the months of June, July, August and September all water available in excess of 35.6 mgd shall be apportioned among regular customers according to their need as determined by the Agency. The Agency will base its

determination of need on historic information except that it will eliminate the effect of curtailment policies such as moratoria or irrigation reduction programs practiced by any regular customer.

(b) After the initial features of the Russian River-Cotati Intertie are operational, the Agency shall not be obligated to deliver water in excess of the following:

<u>Water Contractor</u>	<u>Monthly Entitlements in Acre Feet and Average Day Demand During Month</u>
Santa Rosa	
From Reach 1 and 2 of the Intertie Aqueduct	920 AF (10.0 mgd)
<u>From the Santa Rosa Aqueduct</u>	<u>3,680 AF (40.0 mgd)</u>
Total	4,600 AF (50.0 mgd)
North Marin - From Petaluma Aqueduct	1,030 AF (11.2 mgd)
Petaluma	
From Petaluma Aqueduct	1,125 AF (12.2 mgd)
<u>From Intertie Aqueduct</u>	<u>440 AF (4.8 mgd)</u>
Total	1,565 AF (17.0 mgd)
Valley of the Moon - From Sonoma Aqueduct	435 AF (4.7 mgd)
Sonoma - From Sonoma Aqueduct	305 AF (3.3 mgd)
Forestville - From Forestville Aqueduct or Reach 1 of Intertie Aqueduct	140 AF (1.5 mgd)
Cotati - From Petaluma Aqueduct or Reach 3 of Intertie Aqueduct	155 AF (1.7 mgd)
Rohnert Park - From Petaluma Aqueduct or Reach 3 of Intertie Aqueduct	90 AF (1.0 mgd)

(c) The Agency shall not be obligated to deliver water to North Marin at a rate in excess of 5% above North Marin's average day demand during the maximum month unless North Marin

shares in the cost of construction of new storage facilities as set forth in Section 4.11. Irrespective of its delivery entitlement, North Marin shall nevertheless have the right to a flow rate of 14.8 mgd in the Petaluma Aqueduct.

- (d) A portion of Santa Rosa's delivery entitlement from the Santa Rosa Aqueduct may be delivered from the Intertie Aqueduct, the north part of the Petaluma Aqueduct and the Sonoma Aqueduct provided that the Agency shall not be obligated to deliver to Santa Rosa more than:
 - (1) 30 mgd from Reach 1 and 2 or 20 mgd from Reach 3 of the Intertie Aqueduct, and
 - (2) 2 mgd from the north part of the Petaluma Aqueduct after January 1, 1985, and
 - (3) 50 acre feet per month from the Sonoma Aqueduct after January 1, 1980 if delivery of more than 50 acre feet per month impairs delivery capacity to Valley of the Moon and Sonoma.
- (e) After the booster pump is installed on the south part of the Petaluma Aqueduct pursuant to Section 2.4, Petaluma's entire monthly entitlement of 1,565 AF shall be made available to Petaluma in the south part of the Petaluma Aqueduct.
- (f) The Agency shall not be obligated to deliver to Valley of the Moon more than 320 acre feet per month (3.5 mgd) from the portion of the Sonoma Aqueduct southerly of Eldridge Reservoirs.

3.2 Delivery Entitlements of Other Agency Customers

The Agency may furnish a firm year-around water supply from the Transmission System to other Agency customers subject, however, to each

of the following conditions:

- (a) Such deliveries shall not impair the ability of the Agency to furnish the delivery entitlements of the water contractors as set forth in Section 3.1.
- (b) The total quantity of water delivered to all the other Agency customers shall not exceed 150 acre feet in any month.
- (c) The Agency will not enter into additional contracts to furnish water to any other Agency customer except itself or the County of Sonoma for use on land within two miles of the corporate territory of a water contractor except with the prior written consent of such water contractor, which consent will be subject to the condition that the Agency will cease delivering water to such customer whenever a water contractor is willing and able to furnish water to such customer.
- (d) The Agency shall not deliver more than 40 acre feet per month from the south part of the Petaluma Aqueduct to other Agency customers.
- (e) Except in the case of the City of Sebastopol, Windsor County Water District, Occidental Community Services District, or Graton County Service District, the County of Sonoma and itself, the Agency shall not enlarge the capacity of any existing service connection or install an additional service connection for the use of any other Agency customer where any portion of such customer service area is within two miles of the corporate territory of a water contractor except with the prior consent of such water contractor.

3.3 Deliveries in Excess of Entitlements

(a) The Agency will not deliver water to any of its regular customers in excess of its respective entitlement as set forth in Sections 3.1 and 3.2, except as provided in subdivision (b) of this section.

(b) After the Russian River-Cotati Intertie is in operation, the Agency may deliver to any water contractor water in excess of its entitlement set forth in subdivision (b) of Section 3.1 only on the following conditions:

first, that such excess delivery does not impair or delay the delivery to any other regular customer of its entitlement, and

second, that the water contractor receiving the excess delivery is then proceeding with plans and funding for an expansion of the Transmission System, and

third, that either

- (1) all the water contractors approve such excess delivery, or
- (2) such excess delivery is made during a period when another water contractor is not using its full entitlement, such excess delivery does not exceed the unused amount of said contractor's entitlement, and said contractor consents to said delivery, or
- (3) such excess delivery is to North Marin in an amount not greater than 3.6 mgd and is not taken from Petaluma's entitlement of 17 mgd.

3.4 Surplus Water

(a) Surplus water is water that may from time to time be available for delivery from the Transmission System in excess of the

requirements of all the Agency's regular customers.

(b) The Agency will assure that surplus water is used for the following purposes only:

- (1) irrigation of land used for commercial production of food or fibre.
- (2) irrigation of land used for public recreation purposes.
- (3) replenishment of groundwater or recreational lakes including Ralphine, Spring and Stafford lakes.

(c) The Agency will deliver surplus water only from separate metered turnouts on the Transmission System or the North Marin Aqueduct which extends from Petaluma to Novato.

(d) The Agency will interrupt delivery of surplus water at any time it is necessary to meet the requirements of its regular customers for water other than surplus water.

(e) Water contractors shall have first right of refusal and the prior right to use surplus water.

3.5 Shortage of Water and Apportionment

In its operation of the Transmission System, the Agency shall use all reasonable means to prevent a condition of shortage in the quantity of water available hereunder for its regular customers. If, by reason of drought or other causes beyond the control of the Agency, a shortage of water does occur, the Agency shall not be liable to any of its regular customers for any damage arising therefrom. In the event of shortage the Agency first shall cease all deliveries of surplus water pursuant to Section 3.4, second, cease all deliveries to regular customers in excess of their entitlements and third, apportion the available supply of water as follows:

(a) Before the initial features of the Russian River-Cotati

Intertie described in Section 2.2 are operational, the Agency shall:
first, deliver to each of its regular customers the quantity of water, not in excess of its respective entitlement set forth in subdivision (a) of Section 3.1 and in Section 3.2, required by it for human consumption, sanitation and fire protection as shall be determined by the Agency after taking into consideration all other sources of potable water then available to said customer;

second, to the extent additional water is available to the Agency, deliver the same to Santa Rosa, provided, however, the total quantity of water delivered to Santa Rosa under subdivisions "first" and "second" hereof shall not exceed 20 mgd;

third, to the extent that additional water is available to the Agency, deliver the same to the water contractors other than Santa Rosa in proportion to their respective entitlements set forth in subdivision (a) of Section 3.1, provided, however, that no such water contractor shall receive under subdivisions "first" and "third" hereof a total quantity of water in excess of its reasonable requirements or its said entitlement, whichever is the lesser, and

fourth, if, after meeting the reasonable requirements of all the water contractors up to their respective entitlements as set forth in subdivision (a) of Section 3.1, any additional water is available to the Agency, deliver the same to the regular customers of the Agency in proportion to their respective reasonable requirements, provided, however, that the total quantity of water delivered to all the other regular customers of the Agency pursuant to subdivisions "first" and "fourth" hereof shall not exceed 150 acre feet in any month.

(b) After the initial features of the Russian River-Cotati

Intertie described in Section 2.2 are operational, the Agency shall:

first, deliver to each of its regular customers the quantity of water, not in excess of its respective entitlement set forth in subdivision (b) of Section 3.1 and in Section 3.2, required by it for human consumption, sanitation and fire protection as shall be determined by the Agency after taking into consideration all other sources of potable water then available to said customer;

second, to the extent additional water is available to the Agency, deliver the same to the regular customers in proportion to their respective entitlements set forth in subdivision (b) of Section 3.1 and Section 3.2 provided, however, that no regular customer shall receive under subdivisions "first" and "second" hereof a total quantity of water in excess of its reasonable requirements or its said entitlement, whichever is the lesser.

3.6 Fire Fighting Service

Anything herein to the contrary notwithstanding the Agency may furnish water for fire fighting from hydrants or standpipes on the Transmission System provided such service within two miles of the corporate territory of a water contractor may be furnished only if and during the period of time said water contractor consents thereto in writing.

3.7 Quality of Water

(a) The Agency warrants that it will use its best efforts to insure that all water delivered hereunder shall be of such purity and quality as is required to meet minimum standards for human domestic consumption from time to time established by the U. S. Public Health Service. This warranty is made in reliance on continuing high quality of water in the Russian River. In the event

that the quality of Russian River water decreases or the U. S. Public Health Service standards are increased so that additional treatment of project water is required to conform with said standards, it is the intention of the parties hereto to enter into a supplemental agreement adding required treatment facilities to the Transmission System.

(b) The Agency will use its best effort to prevent the pollution or degradation of water quality in the Russian River and in the Transmission System.

(c) The payment obligations of the water contractors set forth in Part 4 shall not be affected in any manner by the quality of the water delivered by the Agency hereunder.

3.8 Points of Delivery

All water furnished to each water contractor hereunder shall be delivered at the discharge flange of meters at turnouts constructed and maintained by the Agency. Turnouts in addition to those now existing shall be constructed from time to time at such locations as shall be agreed upon by the Agency and the water contractor involved. Water delivered to Petaluma and North Marin at the McNear meter station shall be delivered at a hydraulic gradient of not less than 175 feet mean sea level.

3.9 Risk of Loss and Responsibility

Title and risk of loss with respect to all water delivered hereunder shall pass from the Agency to the water contractor at the point of delivery thereof as set forth in Section 3.8. The Agency shall not be responsible for the control, transmission, distribution, handling or use of water beyond the point of delivery thereof. Each water contractor shall be responsible for installing and maintaining any device it deems necessary to reduce or regulate the pressure under which

the water may be delivered hereunder.

3.10 Place of Use of Water Delivered to North Marin

(a) North Marin may exchange water delivered hereunder for water delivered to it by Marin Municipal Water District.

(b) Except as provided in subdivision (a), North Marin shall not permit any water delivered hereunder to be used outside the portion of its corporate territory described in subdivision (b) of Section 4.18 unless a payment in lieu of taxes is made pursuant to the provisions of said subdivision (b) computed on the basis of the assessed valuation of the taxable property whereon such water is used.

3.11 Measurement

All water delivered by the Agency from the Transmission System shall be measured by meters installed and maintained by the Agency. The Agency shall test the accuracy of each meter not less frequently than annually and provide each water contractor with a report of such test. Each water contractor shall have the right at any time and at its expense to make additional tests of any meter. If a meter is found to be reading 2 percent or more fast or slow, it shall immediately be repaired to bring it within 2 percent accuracy or be replaced by the Agency.

3.12 Proration of Monthly Quantities

All references herein to acre feet per month are based on a thirty-day month and shall be prorated for February and thirty-one day months.

PART 4 - CHARGES AND PAYMENTS

4.1 Separate Charges and Funds

(a) On or before April 30 preceding each fiscal year during which any of the following charges are payable, the Agency will establish the amount of the following charges for the ensuing fiscal year:

- (1) the Operation and Maintenance Charge,
- (2) the Santa Rosa Aqueduct Capital Charge,
- (3) the Forestville Aqueduct Capital Charge,
- (4) the Sonoma Aqueduct Capital Charge,
- (5) the Petaluma Aqueduct Capital Charge,
- (6) the Intertie Aqueduct Capital Charge,
- (7) the Storage Facilities Capital Charge,
- (8) the Pumping Facilities Capital Charge.

(b) All monies received in payment of said charges shall be received, allocated and paid out pursuant to Ordinance No. 1. The Agency agrees to maintain separate funds into which all money received by it from the Agency Fund under Ordinance No. 1 shall be deposited and from which disbursement shall be made as herein provided. All interest earned by each of said funds shall be credited to said fund.

(c) In establishing each of said charges, the Agency shall assume that the quantity of water (other than surplus water) to be delivered from each aqueduct of the Transmission System shall be the same as delivered from said aqueduct during the twelve months preceding such establishment, provided however that such assumptions shall not be less than the following:

From the Santa Rosa Aqueduct in any FY	- 12,000 AF
From the Forestville Aqueduct in any FY	- 200 AF
From the Sonoma Aqueduct in any FY	- 3,500 AF
From the Petaluma Aqueduct in any FY	- 9,500 AF

4.2 Operation and Maintenance Charge

(a) The Operation and Maintenance Charge shall be a uniform annual charge per acre foot and shall be paid by all regular customers for all water delivered from the Transmission System.

(b) The aggregate amount of money to be received by the Agency from the Operation and Maintenance Charge for each fiscal year shall be sufficient to produce water sale revenues to cover the Agency's estimate of its operation and maintenance expenses for such fiscal year, including a reasonable allowance for usual contingencies and errors in estimation, and to accumulate and maintain a reserve of not more than \$300,000 for unpredictable non-recurrent expenses, provided, however, that in no year shall the amount included in the Operation and Maintenance Charge for such reserve exceed 10% of the total Operation and Maintenance Charge for the previous year. Said reserve shall be funded initially by transfer of the operation and maintenance reserves existing on the first day of the month following execution of this agreement in the major maintenance accounts of the Forestville, Santa Rosa, Sonoma and Petaluma Aqueducts.

4.3 Santa Rosa Aqueduct Capital Charge

(a) The Santa Rosa Aqueduct Capital Charge shall be a uniform annual charge per acre foot and shall be paid by all the Agency's regular customers for all water delivered direct from the Santa Rosa Aqueduct except surplus water and except as provided in Section 4.17.

(b) The aggregate amount to be received by the Agency from the Santa Rosa Aqueduct Capital Charge for each fiscal year shall be sufficient to produce water sale revenues to pay the principal and interest payments for the ensuing fiscal year on Series A, B and C of the Agency's 1955 Bonds.

(c) Subject to the provisions of Section 1.7, no disbursement shall be made from the Santa Rosa Aqueduct capital fund except for the payment of said principal and interest.

(d) If at the end of any fiscal year the balance in the Santa Rosa Aqueduct capital fund is insufficient to meet said principal and interest payments for the ensuing fiscal year, Santa Rosa shall, before August 1, pay to the Agency as an additional charge for water delivered an amount equal to such deficit.

4.4 Forestville Aqueduct Capital Charge

(a) The Forestville Aqueduct Capital Charge shall be a uniform annual charge per acre foot and shall be paid by all the Agency's regular customers for all water delivered direct from the Forestville Aqueduct except surplus water and except as provided in Section 4.17.

(b) The aggregate amount to be received by the Agency from the Forestville Aqueduct Capital Charge for each fiscal year shall be sufficient to produce water sale revenues to pay the principal and interest payments for the ensuing fiscal year on Series E of the Agency's 1955 Bonds.

(c) Subject to the provisions of Section 1.7, no disbursement shall be made from the Forestville Aqueduct capital fund except for the payment of said principal and interest.

(d) If at the end of any fiscal year the balance in the Forestville Aqueduct capital fund is insufficient to meet said principal and

interest payments for the ensuing fiscal year, Forestville shall, before August 1, pay to the Agency as an additional charge for water delivered an amount equal to such deficit.

4.5 Sonoma Aqueduct Capital Charge

(a) The Sonoma Aqueduct Capital Charge shall be a uniform annual charge per acre foot and shall be paid by all the Agency's regular customers for all water delivered direct from the Sonoma Aqueduct except surplus water and except as provided in Section 4.17.

(b) The aggregate amount to be received by the Agency from the Sonoma Aqueduct Capital Charge for each fiscal year shall be sufficient to produce water sale revenues to pay the principal and interest payments for the ensuing fiscal year on Series F of the Agency's 1955 Bonds.

(c) Subject to the provisions of Section 1.7, no disbursement shall be made from the Sonoma Aqueduct capital fund except for the payment of said principal and interest.

(d) If at the end of any fiscal year the balance in the Sonoma Aqueduct capital fund is insufficient to meet said principal and interest payments for the ensuing fiscal year, an additional charge for water delivered in an amount equal to such deficit shall be paid to the Agency before August 1 by Sonoma and Valley of the Moon. The share of such additional charge to be paid by each of said water contractors shall be proportionate to the difference between the base share component and the sum of payments made by said water contractor during said fiscal year. The base share component allocated to a water contractor is the number obtained by multiplying the said total principal and interest payment for said fiscal year by said water contractor's monthly entitlement set forth in subdivision (b) of Section 3.1 and by dividing by the total of said monthly entitlements for all water contractors being served from the Sonoma Aqueduct.

4.6 Petaluma Aqueduct Capital Charge

(a) The Petaluma Aqueduct Capital Charge shall be a uniform annual charge per acre foot and shall be paid by North Marin, Petaluma, Cotati and Rohnert Park for all water (except surplus water and except as provided in Section 4.17) delivered hereunder, irrespective of the aqueduct from which a turnout is located, and shall be paid by all other regular customers for all water delivered from the Petaluma Aqueduct.

(b) The aggregate amount to be received by the Agency from the Petaluma Aqueduct Capital Charge for each fiscal year shall be sufficient to produce water sale revenues to pay the principal and interest payments for the ensuing fiscal year on Series D and G of the Agency's 1955 Bonds.

(c) Subject to the provisions of Section 1.7, no disbursement shall be made from the Petaluma Aqueduct capital fund except for the payment of said principal and interest.

(d) If at the end of any fiscal year, the balance in the Petaluma Aqueduct capital fund is insufficient to meet said principal and interest payments for the ensuing fiscal year, an additional charge for water delivered in an amount equal to such deficit shall be paid to the Agency before August 1 by Petaluma, North Marin, Cotati and Rohnert Park. The share of such additional charge to be paid by each of said water contractors shall be proportionate to the difference between the base share component and the sum of payments made by said water contractor during said fiscal year. The base share component allocated to a water contractor is the number obtained by multiplying said total principal and interest payment for said fiscal year by said water contractor's monthly entitlement set forth in subdivision (b) of Section 3.1 and by dividing by the total of all said monthly entitlements for all water contractors being served from the Petaluma Aqueduct.

4.7 Allocation of Capital Costs of the Russian River-Cotati Intertie

The Agency shall allocate a portion of the capital costs of the Russian River-Cotati Intertie to North Marin to be paid pursuant to Section 4.8. The remainder of said costs shall be paid pursuant to Section 4.9. The portion of said costs allocated to North Marin shall be as follows:

Intertie Aqueduct, Reach 1	11.2/70.4
Intertie Aqueduct, Reach 2	11.2/68.9
Intertie Aqueduct, Reach 3	11.2/58.9
Storage Facilities	0
The remaining facilities of the Russian River-Cotati Intertie including intakes, collectors, pumps and appurtenances	11.2/70.4

4.8 Russian River-Cotati Intertie Capital Costs Payments by North Marin

The portion of the capital costs of the Russian River-Cotati Intertie allocated to North Marin pursuant to Section 4.7 shall exclude interest during construction and financial charges and shall be recovered by the Agency as follows:

- (a) The Agency shall allow North Marin a credit for the payments made by North Marin through September 1, 1974, for the expansion of the Transmission System facilities, which credit is estimated as of June 30, 1974 at \$536,913 as shown on Exhibit B which is attached hereto and incorporated herein.
- (b) North Marin will pay to the Agency the sum of \$435,000 at the time and place of the delivery of and receipt of payment of the purchase price for the first series of Revenue Bonds.
- (c) North Marin will pay to the Agency the sum of \$3,316,000 at the time and place of the delivery of and receipt of

payment of the purchase price for the second series of Revenue Bonds.

- (d) In the event the Russian River-Cotati Intertie is terminated prior to completion, the Agency shall make refund to North Marin of any of the contribution of North Marin not expended as provided in subdivision (h) of this section.
- (e) Upon completion of construction of the initial facilities described in Section 2.2, the Agency will compute the actual amount of North Marin's said portion of the capital costs thereof and if said actual amount is greater than the amounts theretofore paid or credited pursuant to this section, North Marin will pay said difference to the Agency upon demand. If the said amount theretofore paid or credited is greater than said actual amount, the Agency will forthwith refund such excess to North Marin.
- (f) At such times as the Agency determines to undertake the later construction of the remaining features of the Russian River-Cotati Intertie pursuant to Section 2.3 and the issuance of Revenue Bonds therefore is authorized or other means of financing are available, the Agency will notify North Marin in writing of its estimate of North Marin's portion of the capital costs thereof allocated in accordance with the provisions of Section 4.7 and North Marin shall pay said sum to the Agency within 180 days after said notification or on such later date as the Agency may agree upon and which will nevertheless permit the Agency to meet its obligations for said construction.
- (g) Upon completion of the construction referred to in

subdivision (f) hereof, any difference between the amount theretofore paid or credited and the actual amount of North Marin's portion thereof shall be paid by North Marin to the Agency or refunded to North Marin in the manner set forth in subdivision (e) hereof.

(h) All payments made by North Marin pursuant to subdivisions (b), (c) and (f) hereof shall be deposited in a separate account from which the Agency will make disbursements only for its expenses in constructing the Russian River-Cotati Intertie. No such disbursement shall exceed the proportionate amount due and allocated to North Marin utilizing the ratios contained in Section 4.7. The Agency will diligently do all acts necessary to maximize the interest income of said account which income shall be credited as a payment on account of North Marin's said portion of said capital costs.

4.9 Payment of Remaining Portion of Russian River-Cotati Intertie Capital Costs

The remaining portion of the capital costs of the Russian River-Cotati Intertie capital costs referred to in Section 4.7, after deducting the payments and credits of North Marin pursuant to Section 4.8, shall be paid by the Agency, if the Board of Directors of the Agency determines by ordinance adopted following public hearing, as provided in Section 2.1, to issue Revenue Bonds. The Agency shall, sell said Revenue Bonds to the extent necessary to pay for said capital costs, to establish bond reserves and to pay all expenses incurred in the issuance of such bonds, and from time to time following each issuance of bonds the Agency shall determine the ratios of the

bonds thus sold that are attributed to (1) the Intertie Aqueduct, (2) the storage facilities, and (3) all the remaining features of the Russian River-Cotati Intertie including the new intakes, collectors, pumps and appurtenances. Said ratios shall be computed by dividing the remaining costs, after deducting North Marin payments and credits, of each component by the total of the remaining costs, after deducting North Marin payments and credits, of all components.

4.10 Intertie Aqueduct Capital Charges

(a) Intertie Aqueduct Capital Charges shall be annual charges per acre foot set for each aqueduct as provided in subdivision (b) hereof and shall be paid by all regular customers of the Agency except North Marin for all water delivered from the Transmission System except surplus water. For the purpose of this section only, all water delivered to Santa Rosa shall be deemed to be delivered from the Santa Rosa Aqueduct, all water delivered to Rohnert Park, Cotati and Petaluma shall be deemed to be delivered from the Petaluma Aqueduct, all water delivered to Forestville shall be deemed to be delivered from the Forestville Aqueduct, and all water delivered to Sonoma and Valley of the Moon shall be deemed to be delivered from the Sonoma Aqueduct.

(b) The aggregate amount to be received by the Agency from the various Intertie Aqueduct Capital Charges for each fiscal year shall be sufficient to produce water sale revenues to pay the Agency's Revenue Bond obligations for such fiscal year times the ratio for the Intertie Aqueduct as determined pursuant to Section 4.9 and said aggregate amount shall be allocated to the respective aqueducts in the following percentages:

Santa Rosa Aqueduct	- 45.2 %
Petaluma Aqueduct	- 38.8 %
Sonoma Aqueduct	- 15.7 %
Forestville Aqueduct	- 0.3 %

Said percentages are based on the following cost distribution factors applied to the estimated capital costs for the various Intertie Aqueduct reaches and shall be adjusted based on actual capital costs upon completion of the Intertie Aqueduct:

INTERTIE AQUEDUCT			
<u>Aqueduct</u>	<u>Reach 1</u>	<u>Reach 2</u>	<u>Reach 3</u>
Santa Rosa	30/59.2	30/57.7	20/47.7
Petaluma	19.7/59.2	19.7/57.7	19.7/47.7
Sonoma	8/59.2	8/57.7	8/47.7
Forestville	1.5/59.2	-	-

(c) All money received by the Agency in payment of Intertie Aqueduct Capital Charges shall be deposited and paid out as set forth in Section 1.7 and subdivision (b) of Section 4.1.

(d) If at the end of any fiscal year the balance in the Intertie Aqueduct capital fund is insufficient to meet said Revenue Bond obligations for the ensuing fiscal year attributed to the Intertie Aqueduct, the Agency will determine the deficits in the payments received by it for deliveries from the Santa Rosa, Petaluma, Sonoma and Forestville aqueducts respectively. Before August 1 of the following fiscal year, additional charges for water delivered in amounts equal to the deficits with respect to the Santa Rosa and Forestville aqueducts shall be paid by Santa Rosa and Forestville respectively. Additional charges for water delivered in an amount equal to the deficit with respect to the Sonoma Aqueduct shall be paid

by Sonoma and Valley of the Moon in the manner provided in subdivision (d) of Section 4.5. Additional charges for water delivered in an amount equal to the deficit with respect to the Petaluma Aqueduct shall be paid by Rohnert Park, Cotati and Petaluma in the manner provided in subdivision (d) of Section 4.6 excluding North Marin.

4.11 Storage Facilities Capital Charge

(a) The storage facilities capital charge shall be a uniform annual charge per acre foot and shall be paid by all regular customers of the Agency and for all water delivered from the Transmission System except surplus water, provided, however, that North Marin shall not be obligated to pay any storage facilities capital charge so long as the deliveries to North Marin during days of maximum use are not in excess of 11.8 mgd and provided North Marin maintains storage reservoirs within its system with a total capacity equal to or greater than one and one-half times the average daily volume of water delivered by the Agency to North Marin during any previous July. North Marin shall not be required to pay a storage facilities capital charge for deliveries to it in excess of 11.8 mgd made at the request of the Agency for the purpose of alleviating an operational problem.

(b) The aggregate amount to be received by the Agency from the storage facilities capital charge for each fiscal year shall be sufficient to produce water sale revenues to pay the Agency's Revenue Bond obligations for such fiscal year times the ratio for the new storage facilities as determined pursuant to Section 4.9.

(c) All money received by the Agency in payment of storage facilities capital charges shall be deposited and paid out as set forth in Section 1.7, and subdivision (b) of Section 4.1.

(d) If at the end of any fiscal year the balance in the storage facilities capital fund is insufficient to meet said Revenue Bond obligations for such fiscal year attributed to the storage facilities, each water contractor will, before August 1, pay to the Agency an additional charge per acre foot for all water delivered to it during the fiscal year which additional charge when multiplied by all acre feet sold to regular customers shall be equal to said deficit and provided, however, that North Marin shall not pay any portion of said additional charge unless it has paid a storage facilities capital charge during said fiscal year.

4.12 Pumping Facilities Capital Charge

(a) The pumping facilities capital charge shall be a uniform annual charge per acre foot and shall be paid by all regular customers of the Agency except North Marin for all water delivered from the Transmission System except surplus water.

(b) The aggregate amount to be received by the Agency from the pumping facilities capital charge for each fiscal year shall be sufficient to produce water sale revenues to pay the Agency's Revenue Bond obligations for such fiscal year times the ratio for all the remaining facilities of the Russian River-Cotati Intertie (other than the Intertie Aqueduct and the storage facilities) as determined pursuant to Section 4.9.

(c) All money received by the Agency in payment of pumping facilities capital charges shall be deposited and paid out as set forth in Section 1.7, and subdivision (b) of Section 4.1.

(d) If at the end of any fiscal year the balance in the pumping facilities capital fund is insufficient to meet the Agency's Revenue Bond obligations for such fiscal year on the Revenue Bonds

attributed to the pumping facilities, each water contractor except North Marin shall, before August 1, pay to the Agency an additional charge per acre foot for water delivered to it during the fiscal year which additional charge when multiplied by all acre feet sold to regular customers shall be equal to said deficit.

4.13 Interim Charges

Anything herein to the contrary notwithstanding, the charges set forth in Sections 4.3, 4.4, 4.5, and 4.6 shall not be paid for deliveries of water made prior to September 1, 1974, and the charges set forth in Sections 4.10, 4.11 and 4.12 shall not be paid for deliveries of water made prior to July 1, 1975. All deliveries of water from the effective date of this agreement through August 31, 1974 shall be paid for at the same rate and on the same terms and conditions as were paid by each entity receiving water from the Agency on the effective date hereof and shall include lump sum payments from Santa Rosa and Forestville in amounts sufficient to cover bond principal and interest costs associated with the Santa Rosa and Forestville Aqueducts for FY 1973-74. The Agency shall revise its existing rate structure to be effective on the first day of the month following execution of this agreement to provide necessary changes occasioned by this agreement.

4.14 Payment of Existing Capital Deficits

(a) The parties acknowledge that payments heretofore made by the water contractors respectively on account of the capital costs of the Agency for expansion of its Transmission System have not been proportionate to their respective water delivery entitlements set

forth in Section 3.1. The amount of the underpayments by water contractors and the consequent fund deficits were derived as shown in Exhibit B and are, as of June 30, 1974, estimated as follows:

Underpayments

Cotati	\$ 40,636
Valley of the Moon	17,127
Rohnert Park	14,733
Petaluma	224,823
Sonoma	<u>0</u>
TOTAL	\$297,319

Fund Deficits

Russian River-Cotati Intertie Capital Charge fund	\$ 57,523
Santa Rosa Aqueduct Capital Charge fund	226,070
Forestville Aqueduct Capital Charge fund	6,630
Sonoma Aqueduct Capital Charge fund (for Sonoma's Credit only)	<u>7,096</u>
TOTAL	\$297,319

As soon as practical after September 1, 1974, the Agency will determine the actual amount of said underpayments and fund deficits.

(b) Commencing on September 1, 1974, each of the said water contractors who have underpaid will pay to the Agency, in addition to all other charges payable by it pursuant to this agreement, the amount of the underpayment or the sum of \$18 for each acre foot of water delivered to it from the Transmission System and continuing until its underpayment has been paid in full together with interest at the rate of 6% per annum on the unpaid balance. Each of said water contractors may at any time pay separately all or any part of its underpayment.

(c) The Agency will credit all payments made pursuant to subdivision (b) above to each of said funds in the amount of the respective deficit thereof subject to the provisions of Section 1.7 hereof.

4.15 Capital Cost of Petaluma Aqueduct Booster Pump

The capital cost of the booster pump to be installed on the Petaluma Aqueduct pursuant to Section 2.4 will be financed by cash payment by Petaluma or by the Agency by the sale of Revenue Bonds if the Board of Directors of the Agency shall determine by ordinance adopted following public hearing, as provided in Section 2.1, to issue Revenue Bonds for such purpose. If the booster pump is financed by the Agency, the Agency shall increase its charges for water sold to Petaluma such that said increase in charges is sufficient to produce water sale revenues in each fiscal year to pay Agency's increase in Revenue Bond obligations attributed to installation of said booster pump. North Marin shall pay a proportionate share of said cost if and to the extent the booster pump is sized larger than provided in Section 2.4, provided however, that North Marin shall not be required to pay any part of the cost of the booster pump so long as its right to a flow rate in the Petaluma Aqueduct does not exceed 14.8 mgd.

4.16 Payment for Surplus Water

(a) The Agency will sell surplus water at a price per acre foot of not less than 110 percent of the then current Operation and Maintenance Charge except that surplus water sold for replenishment of groundwater or recreational lakes used for municipal supply shall be sold at a price not less than 120 percent of the then current Operation and Maintenance Charge.

(b) All money received by the Agency from the sale of surplus water shall be credited to the operation and maintenance fund.

4.17 Minimum Payments by Other Agency Customers

Anything herein to the contrary notwithstanding, the Agency will not sell any water (other than surplus water) to any of its other customers at a total price per acre foot that is less than 110 percent of the highest price per acre foot then currently being paid by any water contractor excluding charges paid pursuant to subdivision (b) of Section 4.14. The respective components of said price shall be credited to the appropriate fund referred to in subdivision (a) of Section 4.1 and the excess shall be credited to the aqueduct capital fund for the aqueduct from which service is taken.

4.18 Payment of Coyote Valley Dam Bonds

(a) The Agency will pay the principal and interest, and meet all its obligations, on its 1955 Coyote Valley Dam Bonds solely from tax revenues and payments by North Marin in lieu of taxes.

(b) On or before April 1 of each year until said bonds are fully repaid, North Marin will pay to the Agency in lieu of the Agency's tax for its Coyote Valley Dam Bonds a sum equal to the then current assessed valuation of all taxable property (including the value of exempted property for which reimbursement is made by the State of California and including both land and improvements) within the corporate territory of North Marin (excluding the portions thereof in Sonoma County and the noncontiguous portions thereof in the western part of Marin County) times the current rate of the Agency's said tax except that should in any fiscal year, the in lieu tax paid by

North Marin not be credited to the Coyote Valley Dam fund, the subsequent North Marin in lieu tax shall be calculated as though such payment had been made to said fund and the Agency tax therefore had been reduced accordingly. Payment of said in lieu tax entitles North Marin to 10,000 acre feet of Russian River Project water derived from the Coyote Dam - Lake Mendocino Component.

4.19 Billing and Time of Payment

Except as otherwise expressly provided herein, all charges payable to the Agency shall be billed each month and paid within 30 days after receipt of bill. Notwithstanding any dispute between the Agency and a water contractor, such water contractor will pay all its bills when due and shall not withhold all or any part of any payment pending the final resolution of such dispute. If the resolution of the dispute results in a refund to the water contractor, the Agency shall make such refund as promptly as it is able to do so, consistent with its meeting its Revenue Bond obligations.

PART 5 - ADVISORY COMMITTEE

5.1 Purpose

(a) There is hereby created the Advisory Committee.

(b) The purpose of the Advisory Committee is to review all proposals set forth by the Agency which involve a significant capital outlay for the Transmission System or any other project which would significantly change the level of service or add significantly to the operations and maintenance expense of the Transmission System or other expense to be borne by the water contractors.

5.2 Powers

Except as provided in Section 2.5, the power of the Advisory Committee is limited to that of collective spokesman for the water contractors and shall be advisory only in nature. Nothing shall preclude a water contractor from setting forth a view contrary to that of the majority of the Committee. No action of the Committee limits or impairs any right or power of any water contractor.

5.3 Composition

The Committee shall be composed of one representative selected by each water contractor. Each water contractor's representative will be allocated a weighted vote which shall be determined by dividing the total payments made to the Agency by said water contractor for the preceding fiscal year (including, in the case of North Marin, its payment of principal and interest on its bonds the proceeds of which were paid to Agency pursuant to Section 4.8 and excluding payment made under Section 4.18) by the sum of all such payments made by all water

contractors for said year and multiplying the resulting fraction by 100. No water contractor shall have a weighted vote greater than 50.

IN WITNESS WHEREOF, the parties have executed this agreement on the date first above written.

Attest:

Eugene D. Williams
Clerk

SONOMA COUNTY WATER AGENCY

By Stanley G. Vella
Chairman

Attest:

Marjorie J. Wilson
City Clerk

CITY OF ~~_____~~ Petaluma

Attest:

R. B. S.
City Clerk

By Helen Vietnamese
Mayor

Attest:

Deputy Kathryn J. Logue
City Clerk

CITY OF ~~_____~~ Catocti

Attest:

Kenneth O. Blackman
City Clerk

By Geoffrey Dunham
Mayor

CITY OF ROHNERT PARK

Attest:

Deputy Jean D. Robinson
City Clerk

By Louis G. Beary
Mayor

CITY OF SANTA ROSA

By John M. Long Jr.
Mayor

CITY OF SONOMA

By Doris Parmer
Vice - Mayor

Attest:

FORESTVILLE COUNTY WATER DISTRICT

Verna E. Parker
Secretary

By Fred Bagnell
President

Attest:

NORTH MARIN COUNTY WATER DISTRICT

Verna S. Morris
Secretary

By George J. Marchi
President

Attest:

VALLEY OF THE MOON COUNTY WATER DISTRICT

LeAnne Macneil
Secretary

By Carroll E. Giese
President

EXHIBIT A

OTHER CUSTOMER METER USE

Aqueduct	Customer	Size	Actual Maximum Month 72-73 (AF)
<u>SANTA ROSA</u>			
	Ya-Ka-Ama Indian Education & Development	3"	.657
	Santa Rosa Junior College District -		
	Agricultural Farm	2"	.428
	Sonoma County Probation Department		
	(Mobile Camp)	2"	.124
	Sonoma County Airport	4"	5.109
	Redwood Fibre Glass	5/8"	.571
	Sis-Q Flying Service	1"	.152
	California Division of Forestry	3"	.799
	Nation Flight Service, Inc.	5/8"	.086
	Redwood Aviation Enterprises	3/4"	.086
	Larkfield Water Company	6"	47.389
<u>SONOMA</u>			
	County of Sonoma	6"	.5 (est.)
	Victor S. & Mark H. Trione	2"	.086
	Lawndale Mutual Water Company	3"	2.959
	Kenwood Village Water Company	3"	1.094
	Sonoma State Hospital	6"	5.545
<u>PETALUMA</u>			
	Penngrove Water Company	4"	19.351
	Feather Knoll Farm	2"	.628
	Marvin Malacredi	2"	.961
	C. H. Christensen	2"	1.028
		TOTAL	87.553

U.C. BERKELEY LIBRARIES
 C123305208

EXHIBIT B

EXPANSION FUNDS ADJUSTMENT ANALYSIS

(Estimated as of June 30, 1974)

	Santa Rosa	N. Marin	Petaluma	VOM	Sonoma	Forestville	Cotati	Rohnert Park	Total
1. RECEIPTS									
Storage	\$ 360,050						\$ 2,175	\$ 5,468	\$ 367,693
Trans. System Expansion	780,068	\$275,002	\$221,075	\$106,423	\$ 76,872	\$11,895	12,377	5,123	1,488,835
Son-Marin Aqueduct Construction	32,728	10,948	7,285	3,717	3,495	0	222	877	59,272
Operations Fund	20,000	2,500	2,500	2,500	2,500	300	0	0	30,300
Petaluma Debt Service Fund (e)		10,000	10,000						20,000
2. FUND ALLOCATIONS									
Sonoma Aq. Debt Service (a)	13,155			71,370	65,475				150,000
Pet. Aq. Debt Service (a)	314	148,237	124,535				3,506	8,408	(d) 285,000
Pet. Aq. Construction Fund (b)		90,226	136,950				13,695	8,056	(d) 248,927
3. TOTAL ACTUAL CONTRIBUTION (1+2)	\$1,206,315	\$536,913	\$502,345	\$184,010	\$148,342	\$12,195	\$31,975	\$27,932	\$2,650,027
4. PERCENT BY ENTITLEMENT (c)	36.99%	18.09%	27.44%	7.59%	5.33%	.21%	2.74%	1.61%	100.00%
5. PRO RATA CONTRIBUTION $(2,650,027 \times 4)$	\$ 980,245	\$479,390	\$727,168	\$201,137	\$141,246	\$ 5,565	\$72,611	\$42,665	\$2,650,027
6. SURPLUS (+) OR DEFICIENCY (-) (3-5)	+\$ 226,070	+\$ 57,523	-\$224,823	-\$ 17,127	+\$ 7,096	+\$ 6,630	-\$40,636	-\$14,733	0

NOTES:

- (a) Allocation based on pro rata share of money contributed by each water contractor.
- (b) Allocation based on future entitlements of water contractors obligated to pay for Petaluma Aqueduct.
- (c) Percentages based on each water contractor's estimated share in capital cost of Intertie Aqueduct.
- (d) Connecting pipeline and right-of-way at river (\$393,927) plus balance in Petaluma Aqueduct Construction Fund (\$140,000) equal a total credit of \$533,927 to users on the Petaluma Aqueduct. The \$285,000 was taken from the Petaluma Aqueduct Debt Service Fund and the balance of \$248,927 was taken from the Petaluma Aqueduct Construction Fund.
- (e) This \$20,000 will be transferred to the Russian River - Cotati Intertie Construction Fund.